

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
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MEMORANDUM FOR THE NSC PLANNING BOARD

SUBJECT: Development Loan Fund

At the suggestion of Mr. Gordon Gray, the attached summary description of the Development Loan Fund, prepared by the NSC Staff, is circulated to the Planning Board for information.

MARION W. BOGGS
Director, Policy
Coordinating Secretariat

DEVELOPMENT LOAN FUND

The Development Loan Fund (DLF) was created by the Mutual Security Act of 1957. Certain modifications in its structure have recently taken place with the enactment of the Mutual Security Act of 1958 (P. L. 85-477, approved June 30, 1958). The principal features of the DLF as now constituted are summarized below:

(1) In the Declaration of Purpose it is stated that Congress recognizes that the progress of free peoples, in their efforts to further their economic development, is important to the security of the U. S. Congress further recognizes the necessity, in some cases, of assistance to such peoples if they are to succeed in these efforts.

(2) There has been created as an agency of the U. S. a body corporate to be known as the Development Loan Fund.

(3) The Fund is authorized to make loans, credits, or guaranties, or to engage in other financing operations or transactions (not to include grants or direct purchases of equity securities), to or with such nations, organizations, persons or other entities, and on such terms and conditions, as it may determine, taking into account (a) whether financing could be obtained in whole or in part from other free world sources on reasonable terms, (b) the economic and technical soundness of the activity to be financed, (c) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities, and (d) the possible adverse effects upon the economy of the U. S., with special reference to areas of substantial labor surplus, of the activity and the financing operation or transaction involved.

(4) Loans shall be made by the Fund only on the basis of firm commitments by the borrowers to make repayment and upon a finding that there are reasonable prospects of such repayment. The Fund shall be administered so as to support and encourage private investment and other private participation, and it shall be administered so as not to compete with private investment capital, the Ex-Im Bank or the IBRD.

(5) There was initially authorized to be appropriated for advances to the Fund without FY limitation \$500 million, and an additional \$625 million beginning in FY 1959. (\$300 million was appropriated for FY 1958. In his message to Congress in February 1958, the President requested that the \$625 million already authorized to be made available beginning in FY 1959 be appropriated in full.)

(6) The Fund is deemed to be a wholly-owned Government corporation and subject to the Government Corporation Control Act, as amended. (One of the principal features of that Act is a requirement that each wholly-owned Government corporation shall prepare annually a business-type budget for submission to the Congress. Legislation can then be enacted making necessary appropriations, and making available for expenditure such corporate funds or other financial resources or limiting the use thereof as the Congress may determine. While annual statements are submitted to the appropriations committees and annual appropriations may be made, the amount of loans which may be made in any year is not necessarily subject to limitations.)

(7) The management of the Fund is vested in a board of five directors consisting of:

Under Secretary of State for Economic Affairs
(Chairman):

C. Douglas Dillon

Director of ICA:

James H. Smith, Jr.

Chairman of the Board of Directors of the Ex-Im Bank:

Samuel C. Waugh

U.S. Managing Director of the Fund:

Dempster McIntosh

U. S. Executive Director on the IBRD:

Tom B. Coughran

(8) There shall be a Managing Director of the Fund, who shall be the chief executive officer of the Fund, who shall be appointed by the President by and with the advice and consent of the Senate, and whose compensation shall be \$20,000 a year. (A person serving as Manager of the DLF as of the date of enactment of the Mutual Security Act of 1958, i.e., Dempster McIntosh, shall not require reappointment in order to serve in the office of Managing Director.)

(9) There shall be a Deputy Managing Director of the Fund, whose compensation shall be not in excess of \$19,000 a year. There shall also be three other officers of the Fund, whose compensation shall be not in excess of \$18,000 a year. Appointment to the foregoing four offices shall be by the Board of Directors.

(10) The Fund may purchase one passenger motor vehicle for use in the continental U. S. and replace such vehicle from time to time, as necessary.